



Institute of Actuaries of India

An Update on IND AS 19

Chitra Jayasimha

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Agenda

- Introduction
- Current Status of IND AS 19
- Comparison of AS 15 , IAS 19 (Pre Revision) & IND AS 19
- Implication of Changes due to IAS 19 R



INTRODUCTION

INTRODUCTION

- “Concept Paper on Convergence with IFRS in India “ issued by the Institute of Chartered Accountants of India (ICAI) in 2007
- In Feb 2011 , the Ministry of Corporate Affairs (MCA) issued 35 Ind As’s (i.e. Indian Accounting Standards equivalent to IFRS) .
- Though Substantially similar , the IND AS’s have some carve outs to ensure suitability to our economic environment
- Initially slated for use on or after 1st April 2011 in a phased manner , now effective date of adoption has been deferred pending implementation of various issues on Income Tax and other laws and regulations
- Even after effective date of IND AS’s , existing accounting standards will continue to be applicable to certain entities like SME’s .



CURRENT STATUS



CURRENT STATUS

- The Indian Accounting Standards converged with IFRS (referred to as Ind AS) have been issued but the effective date of application of these standards has been deferred without any new date being notified
- The proposal of the Finance Minister that companies adopt the new Indian Accounting Standards (Ind AS) by the year 2016-17 is a welcome step towards India's convergence to international standards of accounting.
- Currently issued Ind AS may be subject to further amendments and will require to be updated for the more recent developments in IFRS by the regulatory body yet to be created under the Companies Act 2013.
- It is therefore unlikely that we will see the final standards before the end of 2015.

CURRENT STATUS

- This would make the voluntary adoption of Ind-AS by companies in the next year impracticable, given the complexities of accounting and the changes to IT systems that would be required.
- The Companies Act 2013 mandates the rotation of audit firms by 2017. Bringing in a new set of auditors and also changing to a new set of accounting standards will be a challenge to companies.
- It is unclear as to whether the new standards will be applied to the stand-alone company accounts or to their consolidated accounts.
- If Ind-AS is applied only to the consolidated financial statements, companies will have to continue with a different set of standards to satisfy the tax authorities, who would look to the stand-alone financial statements to determine tax liability.



Comparison of Local GAAP (AS 15 R 2005) ,IAS 19 (Pre Revision) and Ind AS

COMPARISON

	Indian GAAP	IAS 19 (Pre Revision)	Ind AS
Employee Benefits – Primary Literature			
	AS 15 (revised 2005) - Employee Benefits	IAS 19 - Employee Benefits IFRIC 14 –The limit on Defined Benefit Asset , Minimum Funding Requirements and their interaction	Ind AS 19 - Employee Benefits Ind AS 19 – Appendix A – the limit on defined benefit Asset , Minimum Funding Requirements and their interaction
Employee Benefits - Definitions			
	The Distinction between Short term and other long term employee benefits depends on whether they fall wholly due within 12 months after the end of period in which the employees render the related service	The Distinction between Short term and other long term employee benefits depends on whether they are due to be settled within 12 months after the end of period in which the employees render the related service	Similar to IAS 19 (Pre Revision)

COMPARISON

Indian GAAP

IAS 19 (Pre Revision)

Ind AS

Employee Benefits –Actuarial Valuations

Similar to IFRS , except that detailed Actuarial Valuation to determine the Present Value of the benefit Obligation is carried out at least once in three years and Fair value of Plan assets are determined at each balance sheet date

Detailed Actuarial Valuations to determine the Present Value of the Defined Benefit Obligation and the Fair value of Plan assets is performed with sufficient regularity so that the amounts recognized in the financial Statements do not differ materially from the amounts that would have been determined at the end of the reporting period.

IAS 19 does not specify sufficient regularity

Similar to IAS 19 (Pre Revision)

COMPARISON

	Indian GAAP	IAS 19 (Pre Revision)	Ind AS
Employee Benefits – Actuarial gains and losses	All Actuarial Gains and Losses should be recognized immediately in the statement of profit and Loss as an income or expense	Employer has choice of immediate or deferred recognition of gains (losses) Immediate recognition. Gains (losses) are recognized in OCI when they occur; without any recycling through P&L. Immediate recognition - Immediately recognizing gains (losses) in P&L when they occur is a permissible but rarely chosen variation on the method. Deferred recognition- Corridor Approach Actuarial gains and Losses for other Long term employee benefits are recognized immediately in profit and loss account	All Actuarial Gains and Losses for post-employment defined benefit plans and other Long term employee benefit plans are recognized immediately in other comprehensive income.

COMPARISON

	Indian GAAP	IAS 19 (Pre Revision)	Ind AS
Employee Benefits – Discount Rate			
	Market Yield at the Balance sheet date on Government bonds are used as discount rates	Market Yields at the end of the reporting period on high quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds , market yields on government bonds are used	Similar to Indian GAAP
Employee Benefits -Curtailments and Negative Past Service Cost			
	No clarifications to distinguish reductions as curtailments or negative past service cost	When a plan amendment reduces benefits , the effect of the reduction for future service is a curtailment , whereas the effect of any reduction for the past service is a negative past service cost	Similar to IAS 19 (Pre Revision) (Sec 111 A)

COMPARISON

	Indian GAAP	IAS 19 (Pre Revision)	Ind AS
Employee Benefits – The limit on a defined benefit asset ,Minimum Funding Requirements and their interactions	No specific Guidance	<ul style="list-style-type: none">• When refunds or reductions in future contributions are regarded as available for recognition as an asset• How funding requirements in future may affect the availability of reductions in the future contributions• When minimum funding requirements may give rise to liability	Similar to IAS 19 (Pre Revision)



Comparison of IAS 19 Revised ,IAS 19 (Pre Revision) and Ind AS (Quantitative)

COMPARISON

	IAS 19 (Pre Revision)	IAS 19 Revised 2011	Ind AS
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Employee Benefits - Definitions

The Distinction between Short term and other long term employee benefits depends on whether they are due to be settled within 12 months after the end of period in which the employees render the related service

The Distinction between Short term and other long term employee benefits depends on whether they are expected to be settled wholly within 12 months after the end of period in which the employees render the related service

Similar to IAS 19 (pre Revision)

Employee Benefits – Net Interest

P&L includes two separate components:

- Interest on benefit obligations at discount rate**
- Expected return on assets at management's expected rate**

Net interest, recognized as a finance cost in P&L, equals discount rate multiplied by net recognized surplus or deficit (reflecting any adjustments for asset ceiling or IFRIC 14).

Expected rate of return on assets does not affect amount recognized in P&L.

Similar to IAS 19 (Pre Revision)

COMPARISION

	IAS 19 (Pre Revision)	IAS 19 Revised 2011	Ind AS
Employee Benefits – Actuarial gains and losses	<p>immediate or deferred recognition of gains (losses)</p>	<p>Gains (losses) other than curtailment effects are immediately recognized in OCI when they occur; without any recycling through P&L.</p>	<p>All Actuarial Gains and Losses for post-employment defined benefit plans and other Long term employee benefit plans are recognized immediately in other comprehensive income.</p>
	<p>Immediate recognition. Gains (losses) are recognized in OCI when they occur; without any recycling through P&L.</p>	<p>Actuarial gains and Losses for other Long term employee benefits are recognized immediately in profit and loss account</p>	
	<p>Immediate recognition - Immediately recognizing gains (losses) in P&L when they occur is a permissible but rarely chosen variation on the method.</p>		
	<p>Deferred recognition- Corridor Approach</p> <p>Actuarial gains and Losses for other Long term employee benefits are recognized immediately in profit and loss account</p>		

COMPARISON

	Indian GAAP	IAS 19 (Pre Revision)	Ind AS
Employee Benefits – Past Service Cost			

Vested past service cost is recognized in P&L when plan is amended.

Non vested past service cost is recognized in P&L evenly over average vesting period.

Past service cost is recognized in operating P&L when plan is amended.

Similar to IAS 19 (Pre Revision)

CIRB 2014

- Thank you

